

VIRGINIA DEPARTMENT OF MINES, MINERALS & ENERGY
VIRGINIA GAS AND OIL BOARD
Minutes and Results of Hearing, July 17, 2007

Board members present (Quorum was established): Ms. Dye, Mr. Harris, Mr. Prather, Ms. Quillen

1. The Board was scheduled to receive a quarterly report on the board escrow account as administered by Wachovia Bank, Escrow Agent for the Virginia Gas and Oil Board. Because balances, as submitted, did not coincide with those submitted for the previous quarter, the report to the Board was postponed until the August hearing in order to address the discrepancy.
2. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payments of royalties on Tracts 4A, 4D and 4E, Unit V-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0638-02. Continued from June.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Disbursement of funds was approved.

3. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payments of royalties on Tract 2A and 2B, Unit X-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0636-01. Continued from June.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Disbursement of funds attributable to Tract 2b, only, was approved.

4. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payments of royalties on Tract 1B, 1E, a portion of 1G and 1H, Unit W-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0627-05. Continued from June.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Continued to August pending completion of previously authorized disbursement.

5. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payments of royalties on Tract 1A and 1B, Unit X-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0628-01. Continued from June.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Disbursement of funds was approved.

6. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payments of royalties on Tract 1C and 1I, Unit W-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0629-02. Continued from June.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Disbursement of funds was approved.

7. The Virginia Gas and Oil Board heard a petition from Hard Rock Exploration, Inc. for re-pooling of conventional gas unit HRVAE #10, N. Grundy District, Buchanan County, Virginia. Docket Number VGOB-05-0419-1441-01. Continued from June.

In the HRVAE #10 180-acre conventional gas unit, the applicant controls 64.5% of the oil and gas interests, and seeks to pool the remaining 35.5% of the interests. Unleased acreage subject to pooling totals 63.8 net acres in four tracts having 14 unleased owners. There are no unlocated owners subject to escrow. A permit to drill the unit was issued on 6/9/05. Re-pooling was approved.

8. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for creation and pooling of conventional gas unit P-550485, Sand Lick District, Dickenson County, Virginia. Docket Number VGOB-07-0619-1954. Continued from June.

In the P-550485 112.69-acre conventional gas unit, the applicant controls 81.3% of the oil and gas interests, and seeks to pool the remaining 18.7% of the interests. Unleased acreage subject to pooling totals 21.0 net acres in 11 tracts having 19 unleased owners. There are unlocated owners subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

9. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for a well location exception for proposed well P-550485, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-07-0619-1955. Continued from June.

The applicant seeks an exception in order to drill a conventional well closer to three existing wells than allowed under statewide spacing. The proposed well is to be 241 feet closer to existing Equitable gas well P-487, 304 feet closer to existing Equitable gas well V-503179, and 131 feet closer to existing Equitable well P-395 than the 2500 feet mandated by spacing. The exception is needed because of topographic and safety constraints. No application for permit to drill the unit has been submitted. The location exception was approved.

10. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization of direct payments of royalties on Tract 3A, Unit AW-135, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB 04-0120-1248-01.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Disbursement of funds was approved.

11. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit C-13, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-07-0717-1958.

In the C-13 80-acre unit, the applicant controls 91.8% of the coal and gas interests, and seeks to pool the remaining 8.2% of the interests. Unleased acreage subject to pooling totals 6.6 net acres in two tracts having three unleased owners. There are no conflicting claimants subject to escrow. A permit to drill the unit was issued on 6/19/07. Pooling was approved.

12. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit E-13, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-07-0717-1959.

In the E-13 80-acre unit, the applicant controls 85.7% of the coal and gas interests, and seeks to pool the remaining 14.3% of the interests. Unleased acreage subject to pooling totals 11.4 net acres in two tracts having three unleased owners. There are no conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

13. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit E-20, South Grundy/Grundy District, Buchanan County, Virginia. Docket Number VGOB-07-0717-1960.

In the E-20 80-acre unit, the applicant controls 99.9% of the coal and gas interests, and seeks to pool the remaining 0.1% of the interests. Unleased acreage subject to pooling totals 0.05 net acres in one tract having two unleased owners. There are conflicting claimants subject to escrow. A permit to drill the unit was issued on 2/21/06. Pooling was approved.

14. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit F-19, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-07-0717-1961.

In the F-19 80-acre unit, the applicant controls 99.99% of the coal and gas interests, and seeks to pool the remaining 0.01% of the interests. Unleased acreage subject to pooling totals 0.003 net acres in one tract having two unleased owners. There are no conflicting claimants subject to escrow. A permit to drill the unit was issued on 11/3/06. Pooling was approved.

15. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AZ-96, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-07-0717-1962.

In the AZ-96 58.79-acre unit, the applicant controls 99.1% of the coal and gas interests, and seeks to pool the remaining 0.9% of the interests. Unleased acreage subject to pooling totals 0.5 net acres in one tract having two unleased owners. There are no conflicting claimants subject to escrow. A permit to drill the unit was issued on 6/21/07. The application was withdrawn by the applicant.

16. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BA-96, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-07-0717-1963

In the BA-96 58.8-acre unit, the applicant controls 86.1% of the coal and gas interests, and seeks to pool the remaining 13.9% of the interests. Unleased acreage subject to pooling totals 8.2 net acres in one tract having two unleased owners. There are no conflicting claimants subject to escrow. A permit to drill the unit was issued on 6/1/07. The application was withdrawn by the applicant.

17. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-122, New Garden District, Russell County, Virginia. Docket Number VGOB-07-0717-1964.

In the BF-122 58.74-acre unit, the applicant controls 100% of the coal and 62.9% of the gas interests, and seeks to pool the remaining 37.1% of the gas interests. Unleased gas acreage subject to pooling totals 21.8 net acres in six tracts having seven unleased claimants. There are conflicting claimants subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 5/30/07. Pooling was approved.

18. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-123, New Garden District, Russell County, Virginia. Docket Number VGOB-07-0717-1965.

In the BF-123 58.74-acre unit, the applicant controls 100% of the coal and 91.5% of the gas interests, and seeks to pool the remaining 8.5% of the gas interests. Unleased gas acreage subject to pooling totals 5.1 net acres in two tracts having three unleased claimants. There are conflicting claimants subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 5/30/07. Pooling was approved.

19. The Virginia Gas and Oil Board heard a petition from Appalachian Energy, Inc. for modification of Nora Coalbed Gas Field Rules to correct previous misalignment of Units F-99 to I-99 and provide for double payment of royalties in overlapping units; located in North Grundy District, Buchanan County, Virginia. Docket Number VGOB-89-0126-0009-12.

The applicant acquired producing wells in Nora field units that were drilled before the units were defined by maps and coordinates. The units do not match the final Nora grid, and the purpose of this application is to officially recognize the units, as drilled, and to adjust adjacent units so as to return future drilling to the approved grid. Pooling was approved.

20. The Virginia Gas and Oil Board heard a petition from Pine Mountain Oil and Gas, Inc. for pooling of coalbed methane unit Haysi-28, Unit 72-AF, Prater District, Buchanan County, Virginia. Docket Number VGOB-07-0717-1966.

In the 72-AF 58.77-acre unit, the applicant controls 98.7% of the coal and gas interests, and seeks to pool the remaining 1.3% of the interests. Unleased acreage subject to pooling totals 0.8 net acres in one tract having 38 unleased owners. There are conflicting claimants and unknown owners subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

21. The Virginia Gas and Oil Board heard a petition from Pine Mountain Oil and Gas, Inc. for pooling of coalbed methane unit Haysi-29, Unit 72-AE, Prater District, Buchanan County, Virginia. Docket Number VGOB-07-0717-1967.

In the 72-AE 58.77-acre unit, the applicant controls 96.0% of the coal interests and 83.4% of the gas interests, and seeks to pool the remaining 4.0% of the coal interests and 16.5% of the gas interests. Unleased coal acreage subject to pooling totals 2.6 net acres in two tracts with 37 unleased owners. Unleased gas acreage totals 9.9 net acres in one tract having two unleased owners. There are conflicting claimants and unknown owners subject to escrow. No Application for permit to drill the unit has been submitted. Pooling was approved.

22. The Virginia Gas and Oil Board heard a petition from Pine Mountain Oil and Gas, Inc. for pooling of coalbed methane unit Haysi-30, Unit 72-AD, Prater District, Buchanan County, Virginia. Docket Number VGOB-07-0717-1968.

In the 72-AD 58.77-acre unit, the applicant controls 99.9% of the coal interests and 99.2% of the gas interests, and seeks to pool the remaining 0.1% of the coal interests and 0.8% of the gas interests. Unleased coal acreage subject to pooling totals 0.08 net acres in one tract with 37 unleased owners. Unleased gas acreage totals 0.5 net acres in one tract having two unleased owners. There are conflicting claimants and unknown owners subject to escrow. No Application for permit to drill the unit has been submitted. Pooling was approved.

23. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536835, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0717-1969.

In the VC-536835 58.77-acre unit, the applicant controls 100% of the coal and 93.4% of the gas interests, and seeks to pool the remaining 6.6% of the gas interests. Unleased gas acreage subject to pooling totals 3.9 net acres in four tracts having two unleased claimants. There are conflicting claimants subject to escrow. No application for permit to drill the unit has been submitted. Continued to August.

24. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536602, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0717-1970.

In the VC-536602 58.77-acre unit, the applicant controls 100% of the coal and 85.2% of the gas interests, and seeks to pool the remaining 14.8% of the gas interests. Unleased gas acreage subject to pooling totals 8.7 net acres in one tract having one unleased claimant. There are conflicting claimants subject to escrow. A permit to drill the unit was issued on 7/3/07. Pooling was approved.

25. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536866, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0717-1971.

In the VC-536866 58.77-acre unit, the applicant controls 100% of the coal and 61.5% of the gas interests, and seeks to pool the remaining 38.5% of the gas interests. Unleased gas acreage subject to pooling totals 22.6 net acres in five tracts having two unleased claimants. There are conflicting claimants subject to escrow. A permit to drill the unit was issued on 7/3/07. Continued to August.

26. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-537688, Lipps District, Wise County, Virginia. Docket Number VGOB-07-0717-1972.

In the VC-537688 58.77-acre unit, the applicant controls 98.1% of the coal and gas interests, and seeks to pool the remaining 1.9% of the interests. Unleased acreage subject to pooling totals 1.1 net acres in two tracts having two unleased owners. There are no conflicting claimants. No application for permit to drill the unit has been submitted. Pooling was approved.

27. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-537649, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0717-1973.

In the VC-537649 58.77-acre unit, the applicant controls 100% of the coal and 93.2% of the gas interests, and seeks to pool the remaining 6.8% of the gas interests. Unleased gas acreage subject to pooling totals 4.0 net acres in one tract having one unleased claimant. There are conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

28. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-537190, Lipps District, Wise County, Virginia. Docket Number VGOB-07-0717-1974.

In the VC-537190 58.77-acre unit, the applicant controls 100% of the coal and 98.9% of the gas interests, and seeks to pool the remaining 1.1% of the gas interests. Unleased gas

acreage subject to pooling totals 0.6 net acres in two tracts having two unleased claimants. There are conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. Continued to August.

29. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for a well location exception for proposed well V-536729, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0717-1975.

The applicant seeks an exception in order to drill a conventional well closer to two existing wells than allowed under statewide spacing. The proposed well is to be 94 feet closer to existing Equitable gas well P-12, and 160 feet closer to existing Equitable well P-10 than the 2500 feet mandated by spacing. The exception is needed because of topographic constraints and to accommodate a surface owner. An application for permit to drill the unit has been submitted. The location exception was approved.

30. The Virginia Gas and Oil Board heard a petition from Clara R. Smith, Executrix of the Estate of James O. Smith for disbursement of funds from escrow and authorization of direct payments of royalties on Tract 4, Unit VC-504637, Kenady District, Dickenson, Virginia. Docket Number VGOB 01-1016-0968-01.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Continued to August.

31. The Virginia Gas and Oil Board heard a petition from Hard Rock Exploration, Inc. for creation and pooling of conventional gas unit HRVAE #18, South Grundy District,, Buchanan County, Virginia. Docket Number VGOB-07-0717-1976.

In the HRVAE #18 112.69-acre conventional gas unit, the applicant controls 90.1% of the oil and gas interests, and seeks to pool the remaining 9.9% of the interests. Unleased acreage subject to pooling totals 11.2 net acres in two tracts having five unleased owners. There are no unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

32. The Virginia Gas and Oil Board heard a petition from Hard Rock Exploration, Inc. for creation and pooling of conventional gas unit HRVAE #20, South Grundy District,, Buchanan County, Virginia. Docket Number VGOB-07-0717-1977.

In the HRVAE #20 112.69-acre conventional gas unit, the applicant controls 69.8% of the oil and gas interests, and seeks to pool the remaining 30.2% of the interests. Unleased acreage subject to pooling totals 34.0 net acres in three tracts having two unleased owners. There are no unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

33. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 826378, Knox District, Buchanan County, Virginia. Docket Number VGOB-07-0717-1978.

The applicant seeks an exception in order to drill a conventional well closer to three existing or proposed wells than allowed under statewide spacing. The proposed well is to be 94 feet closer to existing Chesapeake gas well 25684, 469 feet closer to existing Chesapeake gas well 826461, and 291 feet closer to proposed Chesapeake well 826379 than the 2500 feet mandated by spacing. The exception is needed to avoid a mine reclaim area. The location has received approval of the coal company. No application for permit to drill the unit has been submitted. The location exception was approved.

34. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 826381, Knox District, Buchanan County, Virginia. Docket Number VGOB-07-0717-1979.

The applicant seeks an exception in order to drill a conventional well closer to two existing wells than allowed under statewide spacing. The proposed well is to be 639 feet closer to existing Chesapeake gas well 24992, and 376 feet closer to existing Chesapeake well 825689 than the 2500 feet mandated by spacing. The exception is needed to avoid steep terrain above dwellings. The location has received approval of the coal company. No application for permit to drill the unit has been submitted. The location exception was approved.

The deadline for filing of petitions to the Board for the August 2007 hearing is 5 p.m., Friday, July 20, 2007 with the hearing scheduled for 9 a.m. on Tuesday, August 21, 2007 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.